

STAFF REPORT UTILITY MEETING

AGENDA DATE: January 28, 2025

DEPARTMENT: Electric Utility

TITLE:

Purchased Power Cost Adjustment

SUMMARY:

The City's electric utility provides electricity to its customers using a variety of electric production resources. Among them are the City's entitlements in various Florida Municipal Power Agency (FMPA) Projects such as the St. Lucie and Stanton 1 Projects, the Rice Creek Municipal Solar Project, the City's own solar farm atop City's closed landfill, the City's power plant, and a contract with Orlando Utilities Commission (OUC) for supplemental energy and capacity (the "OUC Agreement").

As determined during the electric utility rate making process certain electric utility expenses largely related to the purchase of electric capacity, debt service, operations and maintenance, general fund transfer, and City shared internal service costs are recovered via the Base Energy Charge on customers' bills and are not included in the Purchased Power Cost Adjustment (PCA).

Expenses largely related to the purchase of electric energy from the aforementioned FMPA electric production resources, as well as the electric energy and capacity purchases under the OUC Agreement, and electric transmission costs, are recovered via the Purchased Power Cost Adjustment (PCA) line item on customers' bills as per City Resolution 11-2024.

Rising natural gas costs, a component of our cost of energy supply, has gradually eroded the Rate Stabilization fund (RSF) such that the balance is approaching the lower limits of the desired fund balance range as established by the City Commission.

BACKGROUND AND JUSTIFICATION:

Staff has projected the monthly purchased power costs using forecasted natural gas pricing (using published Natural Gas Futures Quotes), contractual pricing for solar energy from the FMPA Municipal Solar Project, anticipated capacity purchases under the OUC Agreement, and expected system requirements for the period of March 2025 through February 2026. This projection ensures the PCA reflects the anticipated costs associated with power purchases, accounting for changes in natural gas prices, which are often a significant component of wholesale power costs, and using natural gas futures quotes. In addition to adjusting the PCA to recover projected power costs, Staff recommends that the PCA adjustment be such that it will yield an additional \$50,000 per month to help restore the Total PCA Funds Balance which has been decreasing since March 2024, and which has reached a balance of \$932,574 as of December 31, 2024. The current balance is near the lower limit of the desired range established by the City Commission. Replenishment of the RSF in a gradual manner over a period of one year will help reduce the likelihood of significant PCA adjustments and enable more stable and predictable energy bills for customers.

The table below provides a range of options for PCA increases beginning with the option to stabilize the decrease in Total PCA Funds Balance, and including alternates to gradually grow the RSF in increments of \$25,000 monthly to \$100,000 monthly.

OPTION	Monthly Increase to Total PCA Fund Balance	Monthly Impact to Residential 1,000/KW Month Customer
Option 1	\$0	\$6.80
Option 2	\$25K	\$7.41
Option 3	\$50K	\$8.01
Option 4	\$100K	\$9.23

MOTION:

Move to approve/disapprove Purchased Power Cost Adjustment as presented using Option # ____.

ATTACHMENT(S):

- PCA Option 1
- PCA Option 2
- PCA Option 3
- PCA Option 4
- PCA Review
- Natural Gas Futures
- LWB Gas Pricing FY25